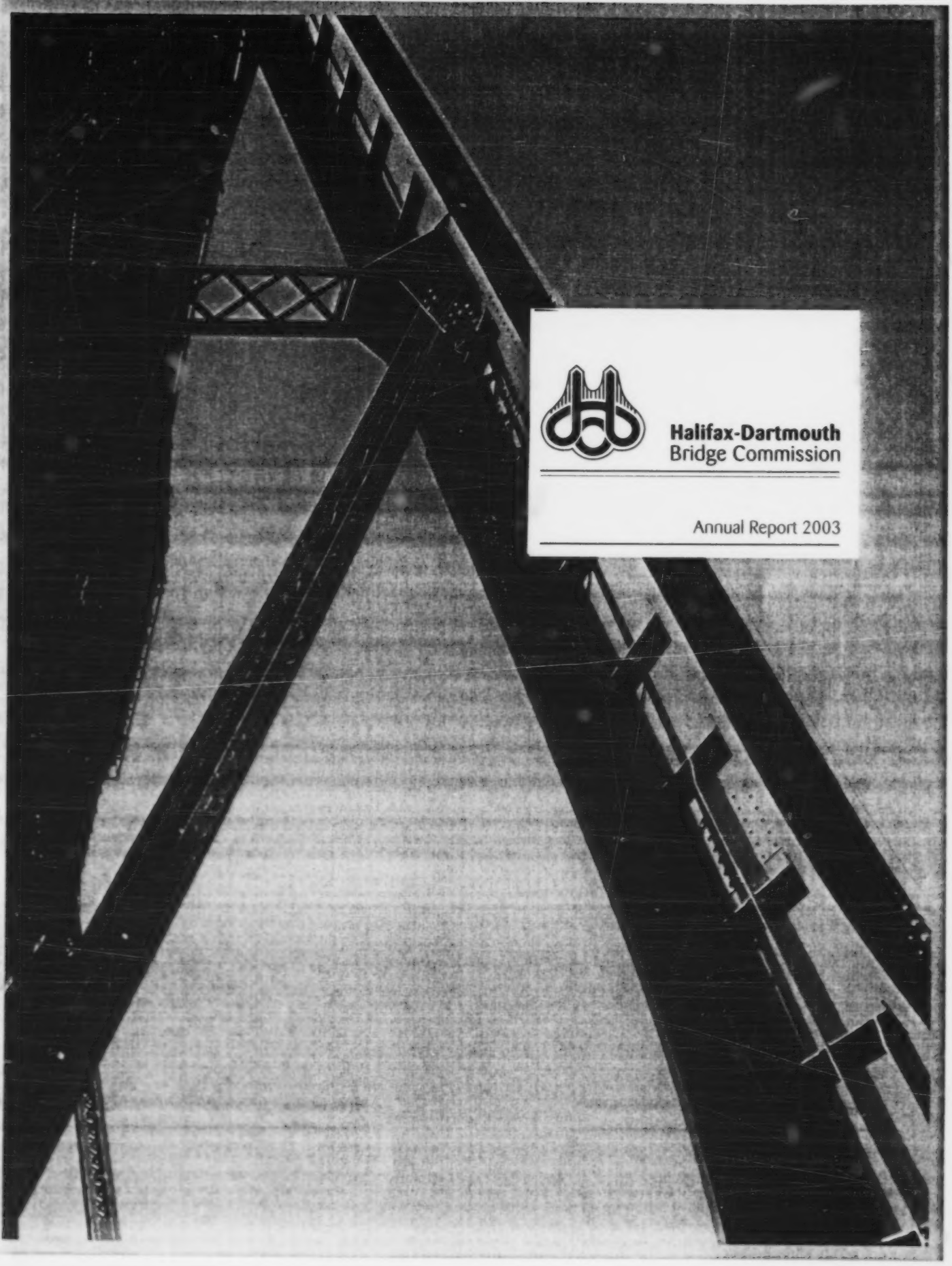

Halifax-Dartmouth
Bridge Commission

Annual Report 2003

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Halifax-Dartmouth
Bridge Commission

Annual Report 2003

Chairman's Message

I am pleased to provide a report on behalf of the Halifax-Dartmouth Bridge Commission (the Commission) for the year ending December 31, 2003.

In September 2003, Hurricane Juan devastated the Halifax Metro area. Our bridges escaped structural damage; however, the subsequent impact on bridge traffic resulted in a reduction of some 200,000 crossings. While revenue grew only slightly in 2003, traffic on the bridges continues to increase during peak periods.

This year marks the half-way point for the direction and leadership provided by our Board of Commissioners. The solid financial footing from the previous Board's direction has paved the path for success. With minimal annual traffic growth, the Commission's financial health will only improve. In addition to sound fiscal management, the Commission demonstrates its solid commitment to safety, efficient transportation and maintenance on a daily basis.

The Commission's new Main Cable Access Platform, purchased and installed in 2003, is expected to accelerate our painting program to protect the main bridge cables. Continued speed enforcement on both bridges has assisted in the reduction of vehicle speeds and has also contributed to fewer collisions and incidents.

The popularity of *MACPASS* continues to grow; this trend is expected to continue in years to come. The Commission continues to be a leader in electronic tolling in Canada and will be exploring opportunities to promote and expand its expertise throughout Atlantic Canada. With a potential North American standardization for intelligent transportation systems on the horizon, one could travel from Halifax to Florida, Texas, or California using new transponder technology and pay for this travel on their *MACPASS* account.

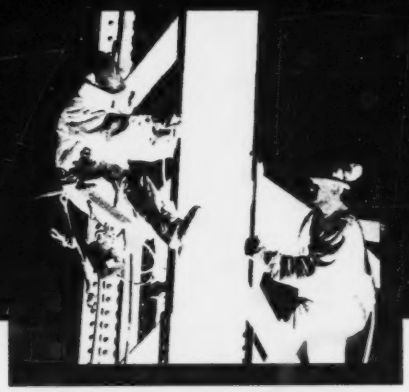
The year 2003 also brought two good news stories for the Commission. The *MACPASS* promotional campaigns were recognized with a Gemstone Award from the Canadian Public Relations Society, Nova Scotia Chapter. The award is categorized as a low budget masterpiece, which recognizes excellence in adherence to quality, presentation and strategic technical applications that meet the public relations program goals and objectives. The second good news story, was the appointment of Steve Snider, General Manager & CEO to the International Bridge Tunnel and Turnpike Association's Board of Directors for a four-year term. Mr. Snider will be the only Canadian member on this international board.

In 2004, the Commission will be resurfacing the approaches to the Angus L. Macdonald Bridge. This $1.5 million program is expected to have minimal impact on traffic as efforts to minimize commuter disruption are paramount for the Commission. As a result of this program, our annual traffic growth may again be impacted for 2004. However, attention to aggressive long-term maintenance and structural life enhancing programs will assure the integrity of both the Angus L. Macdonald and A. Murray MacKay Bridges.

The Commission and its Board of Commissioners are committed to addressing strategic issues as a component of a regional economy and will focus on our strategic direction for the next decade.

Bruce S. Smith, BComm, CMC

Corporate Overview



Safety, efficiency and excellence; these are key words for the Commission and three vital areas where we strive to excel. These three words are demonstrated in our mission, mandate and in the way we operate both of our suspension bridges. The Angus L. Macdonald and the A. Murray MacKay Bridges are essential transportation links within the Halifax Regional Municipality.

The words safety, efficiency and excellence are instrumental to the way we conduct business each day through direction from our annual business plan. This annual report is meant to clearly demonstrate our ability to serve the traveling public and our stakeholders, as well as maintain our commitment to fulfill all aspects of our annual business plan.

Mission

To provide safe, convenient and reliable passage for our patrons at an appropriate cost.

Mandate

The Commission was created in 1950 by a statute of the Province of Nova Scotia. With the approval of the Governor in Council (Cabinet), the Commission has the power to construct, maintain and operate bridges and the necessary approaches across the Halifax Harbour and North West Arm, or either of them.

Structure

As a commission of the provincial government, the Commission reports to the Minister of Finance for the Province of Nova Scotia and our financing is approved by the Nova Scotia Cabinet. As a self-funding user-pay operation, the Commission receives no assistance from tax dollars. Our toll rates are approved by the Nova Scotia Utility and Review Board.

The Commission has nine board members. The Province of Nova Scotia appoints five members including the Chairman and Secretary, while the Halifax Regional Municipality appoints four councillors to the Commission's Board. Within the Commission structure, there are standing committees dealing specifically with audit/finance, public relations and maintenance.

The Commission employs 29 permanent administrative and maintenance staff, approximately 50 members of the Canadian Corps of Commissionaires, and 50 seasonal painting and gardening staff. We value our long serving employees who collectively, offer a wealth of experience and knowledge.

In order to carry out our mission and fulfill direction from our annual business plan; we have defined the following strategic business goals:

- Maintain public and employee safety through ongoing review and implementation of the Commission's policies, operations, and safety initiatives.
- Maintain the bridges and approaches in superior condition through a proactive, continuous maintenance program.
- Maintain convenient and reliable passage through working with stakeholders to identify access and egress improvements, which will assist future capacity requirements.
- Continue to market electronic toll collection (*MACPASS*) in order to decrease traffic congestion and accommodate future traffic growth.
- Ensure the Commission's financial stability through sound fiscal planning and management.

From these strategic goals, the Commission continues to guide its business through four core areas: safety, maintenance, efficient transportation and financial management.

Safety Achievements

The Commission achieves its safety goals through a number of ongoing initiatives. Continuous monitoring of bridge traffic through video surveillance, patrolling the bridges and approaches, conducting speed enforcement to reduce the average vehicle speed, and providing prompt response to collisions, are a few of the responsibilities of the Corps of Commissionaires, which help achieve our business goals.

Prompt snow and ice removal during the winter months is critical to assuring the safety of the traveling public. Information received from the Commission's weather stations and our 24 hour-a-day winter maintenance program is vital to this important aspect of the Commission's operations.

Monthly speed surveys enable the Commission to establish a base line in order to determine the impact enforcement efforts has on speed reduction. In addition, quarterly collision surveys have determined collision ratios based on speed reduction. These measures align average speeds as close to the posted speed limits as possible and essentially, decrease the number of collisions resulting in personal injury and property damage. In order to determine success in achieving these outcomes, the Commission utilizes two measures:

1. To reduce collisions resulting in personal injury or property loss, the measure is based on the number of collisions per 100,000 vehicle kilometres traveled (vkt). In 2002, there were .60 collisions per 100,000 vkt. In 2003, this number was reduced to .58 and is expected to be further reduced to .55 collisions per 100,000 vkt by 2004.

2. The Commission measures the reduction of the average vehicle speed as per monthly surveys in order to comply with posted speed limits. The posted speed limit is 70 km/hr on the MacKay Bridge and 50 km/hr on the Macdonald Bridge. The average speed on the MacKay in 2003 was 78.4 km/hr and 62 km/hr on the Macdonald.

In response to potential safety and emergency threats, the Commission is adopting a revised emergency response plan, as well as implementing a public safety plan to encompass the Commission's overall safety efforts. Also, the distribution of regular bridge traffic alert email messages to over 500 subscribers provides timely communication about lane closures and other situations to both inform and encourage safe travel.

Results from a public opinion survey conducted for the Commission in 2003 indicated that out of 500 respondents, 91% believe safety is most critically important to them with maintenance not far behind. It is clear that the concerns of bridge patrons correspond with the Commission's mandate.

Maintenance Attained

The importance of maintenance goes hand in hand with ensuring the safety of the traveling public. As part of the 2003 detailed maintenance and capital improvements program, the Commission's priorities were attained through one main outcome: to ensure that the bridges (main structures, cables and piers) are maintained in superior condition.

The Commission protects its main structures in many ways, but primarily through its annual painting program, for which staff are continually researching new and effective coating systems. In order to paint both bridges in their entirety, three subsequent painting seasons are required.

In 2003, the Commission was pleased to install a new Main Cable Access Platform (cable crawler), which allows for improved and safe access for staff and engineers to virtually all areas of the cables on both bridges. Essentially, maintenance of the bridge cables involves the removal of existing paint, inspection and repainting of the cables, which both protects them and increases their longevity.

Painting is a key component of the Commission's maintenance program, which helps to maintain the bridges in superior condition. As part of this program, it is vital to ensure minimal loss of steel on the main structures and minimal flaking and cracking of the main cable paint. The Commission expected to complete 25% of the required cable maintenance in 2003, but due to the late arrival of the cable crawler, the work completed was minimal.

However, the Commission expects that 25% of this maintenance will be completed in 2004, with 100% completed by 2008 for both bridges.

The Commission has routinely completed major concrete repairs for the last 10 years and expects this to continue for at least five more years. Maintenance work on the bridge piers is currently 73% completed and it is anticipated that 80% will be completed by the end of 2004.

The Commission's annual bridge inspections identify immediate, short-term and long-term requirements. The deterioration of the wearing surface on the Macdonald Bridge approaches is currently considered a high level priority for the Commission. As a result, a replacement program will be implemented during the Spring of 2004. This program will further ensure the integrity of the Macdonald Bridge structure.

Efficiency Accomplished

The efficient management of traffic and the reduction of congestion is an ongoing effort for the Commission. In recent years, great strides have been made to improve traffic flow on the bridges, including the addition of the third lane, sidewalk and bicycle lanes on the Macdonald Bridge, as well as the Barrington Street ramp, and the introduction of *MACPASS*. The provision of efficient means for cross-harbour transportation is achieved through many programs and initiatives.

In 2003, the Commission increased *MACPASS* transactions by 1,718,309, or 15% over 2002. *MACPASS* promotions were further targeted toward all non-*MACPASS* users and commercial companies. In order to increase the number of transponders on the system and increase usage, the Commission will continue to market and increase distribution. In 2003, *MACPASS* usage represented 41% of total traffic volume, just 3% short of the anticipated 44% usage by 2003.

A toll payment survey was conducted in 2003 to gather information to help further direct strategic *MACPASS* promotions. Through the survey results, the Commission was able to identify areas to further encourage bridge patrons to switch to *MACPASS*. The survey was completed by 2,385 respondents; two out of ten indicated that they will switch to *MACPASS* within the coming weeks, months or year.

The Commission's outcomes for efficient transportation are to increase the number of *MACPASS* transponders on the system and to reduce congestion on the toll plazas. Toll plaza congestion is reduced by the growing usage of *MACPASS* and the reduction of the number of vehicles queued in the lanes during peak travel periods. In 2001, our surveys indicated 12 vehicles queued in the serviced lanes and six vehicles in the automatic lanes during peak periods. The target for 2004 is to achieve only four vehicles queued in the serviced lanes and three vehicles in the automatic lanes during peak periods.

Solid Management

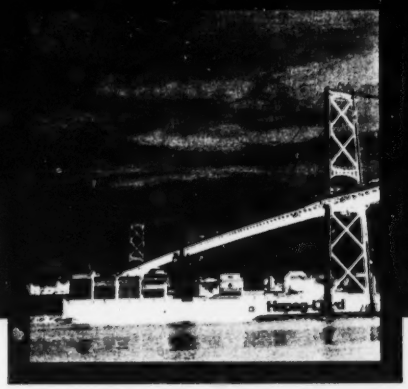
Financial management and stability is achieved through various business functions and activities. Through the review, development and implementation of policies, plans and budgets, the Commission continues to: effectively collect tolls both electronically and mechanically; maintain the reliability of internal control systems; meet obligations to Bondholders; meet capital project requirements; manage the Operating, Maintenance and Administration budget; and use the Commission's cash flow for capital expenditures and investment for the reduction of debt.

The Commission's measures to achieve solid fiscal management are: the accumulation of capital and sinking funds with a contribution of $5 million per year to these funds, as well as to maintain positive cash flow.

The Commission is pleased that our Toll Revenue Bond Series 1 continue to be rated AA (low) and A+. These ratings are indicative of the solid financial position of the Commission.

Please refer to the Management Report on page 10 for further details on the Commission's solid financial management.

Management Discussion & Analysis



For Twelve Months Ended December 31, 2003

The Halifax-Dartmouth Bridge Commission (the Commission) is pleased to present its Management Discussion and Analysis with respect to the twelve months ended December 31, 2003.

The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of the Commission for the years ended December 31, 2003 and 2002. It combines an analysis of trends and year–to–year changes in the results with an outlook to the end of 2004. This discussion and analysis should be read in conjunction with the audited financial statements. The dollar amounts are in thousands.

Accounting Policy

The Commission reports as a government business enterprise as defined by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants (CICA). Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

Results of Operations ($000's)

For the year ended December 31, 2003, net income was $6,434 as compared to $6,696 for the year ended December 31, 2002. The significant year over year comparative differences within revenues and expenses are discussed later in this section.

At December 31, 2003, cash on hand was $14,289, held in an interest bearing account.

Revenues ($000's)

Toll Revenue

Toll Revenue for 2003 was up $20 from 2002. Traffic volume in 2003 was up by 177,230 vehicles or 0.56% over 2002. The disruption to ordinary life in the Halifax-Dartmouth area caused by Hurricane Juan at the end of September is estimated by the Commission to have decreased traffic across the bridges by approximately 200,000 crossings.

Other Rate Charges

Other rate charges in 2003 remained the same as 2002 and represent amounts charged to various businesses, utilities and the municipality for the use of the Macdonald Bridge to run their cables and water line from one side of the harbour to the other.

Investment and Sundry Income

Investment income on the Operations, Maintenance and Administration (OMA) Fund, Debt Service Fund and Capital and Sinking Funds amounted to $1,141 for 2003, compared to $844 in 2002. These increases are due to increased investments in the Capital Fund and Sinking Fund as required by the Trust Indenture providing for the issue of the Toll Revenue Bonds Series 1 (hereafter, the "Trust Indenture").

Other Revenue

Other Revenue increased in 2003 by $162. This increase was primarily due to the Commission receiving interest on its current account balances, which were significantly higher than during the same period in 2002.

Total Revenue

These revenue changes resulted in an increase in total revenue during 2003 of $479, compared to 2002.

Revenue Outlook

- Toll revenues are expected to remain the same in 2004 as in 2003.
- Other rate charges are expected to increase slightly in 2004 over 2003.
- Investment income is expected to increase in 2004 as a result of increased earnings in the Sinking Fund and Capital Fund, to which additional amounts will be transferred from operations in 2004 as required by the Trust Indenture.
- Other income is expected to increase in 2004 over 2003 due to increased funds on deposit.

Expenses (000's)

Operating, Maintenance and Administrative Charges (OMA)

Operating expenses in 2003 increased by $28 over the same period in 2002.

Maintenance expenses increased by $360 in 2003 compared to the same period in 2002. During 2003, increases were seen in the following major maintenance expense items: engineers' fees $37; gas, oil, grease $3; heating $22; salt $4; bridge maintenance (deck surface repairs) $140; building maintenance $25; painting $15; maintenance wages $76; painting wages $38; and landscaping wages $11. The following maintenance expense items decreased: landscaping supplies $4; light and power $4; and equipment maintenance $5.

Administrative expenses increased by $330 in 2003 compared to 2002. The major administrative expenses that increased were: insurance $121; public relations $5; workers' compensation $5; general $30; office $30; professional fees $91; sundry $7; and wages $47. The major administrative expense items that decreased were: telecommunications $3 and *MACPASS* operations $3.

Amortization of Capital Assets

Amortization (depreciation) of capital assets for the year 2003 was down $80 compared to 2002 due to the write off of undepreciated capital assets.

Amortization of Deferred Transponder Charges

Continuing with policy established in 2000 regarding the handling of transponders, the amortization charges in 2003 were the same as in 2002 (See Notes to Financial Statements #9).

Interest on Long-Term Debt and Amortization of Deferred Financing Costs

Interest on Toll Revenue Bonds Series 1 and amortization of deferred financing costs in the year of 2003 remained consistent with the same period in 2002. Interest on the line of credit was up by $103 in 2003 due to higher interest rates compared to 2002.

Total Expenses

Expense variations resulted in an increase in total expenses for 2003 of $741, compared to 2002.

Expense Outlook

- OMA expenses are expected to increase in 2004 over 2003.
- Amortization of capital assets is expected to increase in 2004 from the amount charged in 2003.
- Interest on Toll Revenue Bonds Series 1 and amortization of deferred finance costs are expected to remain stable during 2004.
- Interest on the line of credit is expected to decrease in 2004 compared to 2003 as a result of expected lower interest rates.
- A damage assessment made by the Commission's maintenance personnel and engineering consultants indicates no structural damage to either bridge as a result of Hurricane Juan.

Appropriation to Restricted Assets ($000's)

As required by the Trust Indenture, the Commission has established two reserve funds: the OMA Fund equal to 25% of annual OMA expenses and a Debt Service Fund equal to 50% of annual interest costs on the Toll Revenue Bonds Series 1. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of surplus (deficit) on the Statement of Income and Deficit.

OMA and Debt Service reserve funds will be contributed to or withdrawn from annually as necessary to maintain the funds at the amount required by the Trust Indenture. Under the terms of the Trust Indenture, beginning in 2000, the Commission established a Sinking Fund to which it deposits $500 quarterly and a Capital Fund to which it deposits $750 quarterly. These funds are restricted in their use and are designated as such in both the asset and equity sections of the Balance Sheet. Contributions to both of these funds will continue until maturity of the Toll Revenue Bonds Series 1 on December 4, 2007.

Appropriation to Restricted Assets Outlook

Under the terms of the Trust Indenture in 2004, the Commission will maintain and contribute to the four funds as required.

Net Income Outlook

- Revenue for 2004 is expected to increase over 2003.
- Expenses for 2004 are expected to increase over 2003.
- Overall, it is expected that net income for 2004 will decrease from 2003.

Liquidity and Capital Resources ($000's)

The following discussion of Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the audited financial statements, which indicates a positive cash flow for 2003 of $4,576.

Operating Activities

The Commission's operating activities generated $12,225 in positive cash flow during 2003. In 2002, a positive cash flow from operations of $12,319 was generated. Continued positive cash flow from operations is anticipated for 2004.

Financing Activities

No additional financing activities were undertaken during 2003. The Commission expects that operating cash will provide required funding for 2004.

Investing Activities

The Commission incurred capital expenditures of $1,412 in 2003, up from $820 in 2002. Under the terms of the Trust Indenture, the Commission maintained four reserve funds in 2003. Contributions to and investment income in the Capital Fund amounted to $3,623 and in the Sinking Fund amounted to $2,389. The OMA Fund was increased by $240 and the Debt

Service Fund was maintained at $2,975. The increase in the OMA Fund is a result of the requirements of the Trust Indenture to have the fund maintained at 25% of the annual OMA expenses.

Capital Structure

The Commission is a non-share entity incorporated by the Province of Nova Scotia. The Commission has never paid a dividend and the payment of dividends is restricted while the Toll Revenue Bonds Series 1 are outstanding.

The long-term debt of $123,000 is made up of $100,000 Toll Revenue Bonds Series 1, which bear an annual interest rate of 5.95% and mature on December 4, 2007, and a line of credit of which $23,000 is outstanding. This revolving line of credit has a limit of $30,000 and bears a floating interest rate. During 2003, this rate ranged between 2.96% and 3.59%. The line of credit also matures in December 2007. Interest on the Toll Revenue Bonds is paid semi-annually and interest on the line of credit is paid annually.

The Toll Revenue Bonds Series 1 are rated as follows:

Dominion Bond Rating Service Limited	AA (low)
Standard and Poors Ratings Services	A +

Regulation

Nova Scotia Utility and Review Board (NSUARB)

For certain purposes, the Commission is deemed to be a public utility and is subject to the general supervisory powers of the NSUARB. By the terms of the Commission's Act of Incorporation, the Commission is not subject to the provisions of the Public Utilities Act (Nova Scotia) relating to:

- New construction, improvements, betterments, or extensions to its property.
- Issuance of shares, stocks, bonds, debentures or any evidence of indebtedness.
- Proper and adequate annual depreciation of its assets.
- Setting up, maintaining, use and disposal of depreciation reserve funds.

Toll rates for the use of the bridges are subject to NSUARB approval.

Securities Regulations

The Commission is subject to securities regulations in all provinces of Canada.

Halifax-Dartmouth Bridge Commission

The Commission does not have a Board of Directors as such; these financial statements have been reviewed and approved by the Commission.

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Management Report

For Twelve Months Ended December 31, 2003

The financial statements and all the information in this Annual Report are the responsibility of management and have been approved by the Commission.

Management prepares the financial statements and is responsible for the integrity and objectivity of this information. The statements have been prepared using Canadian generally accepted accounting principles and methods appropriate to the Commission including where applicable, amounts based on management's best estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Commission maintains a system of internal controls designed to provide reasonable assurance that transactions are recorded and executed in accordance with its authorization practice, that assets are properly safeguarded, and that reliable financial records are maintained. This system includes written policies and procedures and an organizational structure that segregates duties.

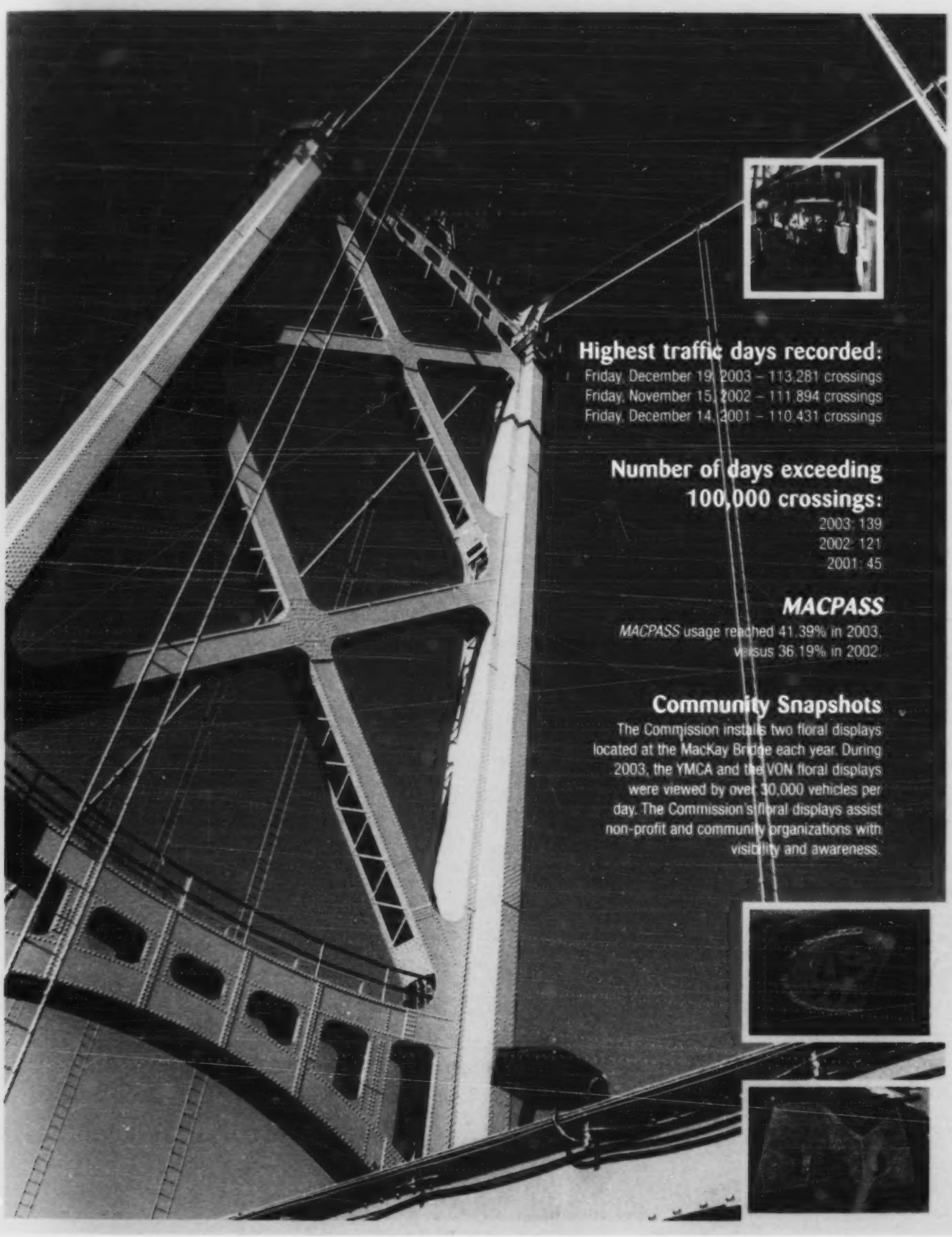
The Commission is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility, principally through its Audit and Finance Committee.

The Audit and Finance Committee meets periodically with management and the external auditors to discuss audit and financial matters. In addition, the Committee reviews the unaudited quarterly and audited annual financial statements of the Commission and submits its report and the financial statements to the Commission for approval.

Levy Casey Carter MacLean, Chartered Accountants, the Commission's external auditors are engaged to provide an independent audit of the annual financial statements in accordance with Canadian generally accepted auditing standards. Levy Casey Carter MacLean have full and free access to the Audit and Finance Committee.

Steven Snider
General Manager & CEO

Ken Munro
Treasurer



Highest traffic days recorded:

Friday, December 19, 2003 – 113,281 crossings
Friday, November 15, 2002 – 111,894 crossings
Friday, December 14, 2001 – 110,431 crossings

Number of days exceeding 100,000 crossings:

2003: 139
2002: 121
2001: 45

MACPASS

MACPASS usage reached 41.39% in 2003, versus 36.19% in 2002.

Community Snapshots

The Commission installs two floral displays located at the MacKay Bridge each year. During 2003, the YMCA and the VON floral displays were viewed by over 30,000 vehicles per day. The Commission's floral displays assist non-profit and community organizations with visibility and awareness.

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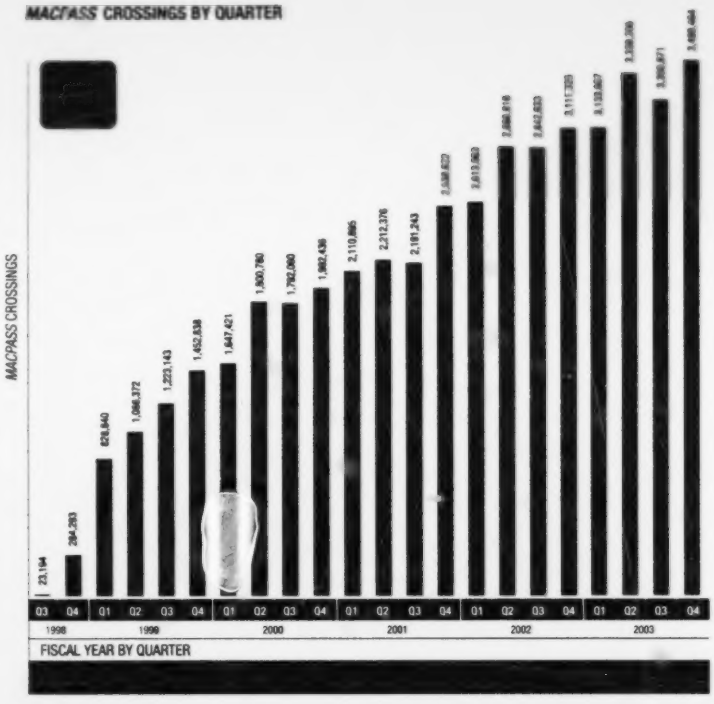
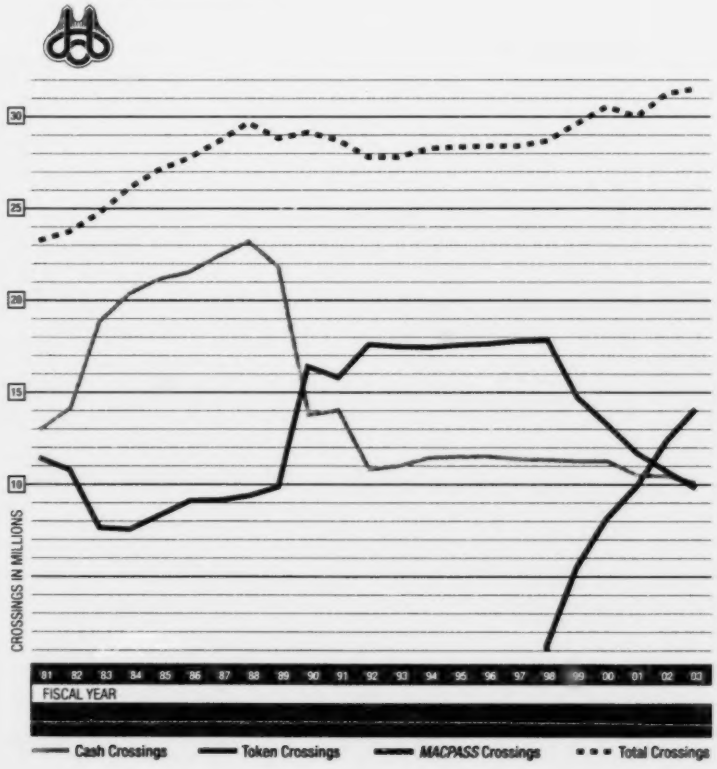
MACPASS CROSSINGS BY QUARTER



TOTAL ANNUAL TRAFFIC VOLUMES



Financial Statements

Auditors' Report

To the Chairman and Commissioners of the Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of the Halifax-Dartmouth Bridge Commission as at December 31, 2003 and 2002 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Levy Casey Carter MacLean

Levy Casey Carter MacLean
Chartered Accountants
Halifax, Nova Scotia
February 16, 2004

Balance Sheet December 31

ASSETS	2003 ($ 000's)	2002 ($ 000's)
Current		
Cash (note 1(a))	$ 14,289	$ 9,713
Receivables		
Trade	36	22
Accrued interest	40	25
Recoverable HST (note 2)	133	55
Prepaid expenses	231	197
	14,728	10,012
[illegible]	[illegible]	[illegible]
Capital Assets (note 3)	71,439	74,422
[illegible]		
Investment - OMA Fund	1,739	1,499
[illegible]	[illegible]	[illegible]
Investment - Capital Fund	13,483	9,860
[illegible]	[illegible]	[illegible]
	$ 117,022	$ 109,945

LIABILITIES	2003 ($ 000's)	2002 ($ 000's)
Current		
[illegible]	[illegible]	[illegible]
Capital project holdbacks payable	258	267
[illegible]	[illegible]	[illegible]
Refundable customer transponder amounts (note 9)	1,558	1,305
[illegible]	[illegible]	[illegible]
	5,772	5,128
Long-term debt (note 6)	123,000	123,000

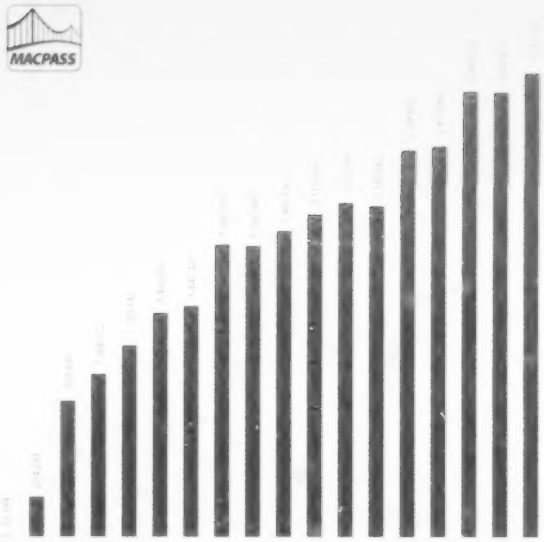
DEFICIT	2003 ($ 000's)	2002 ($ 000's)
[illegible]	[illegible]	[illegible]
Deficit	(38,854)	(39,036)
	(11,750)	(18,183)
	$ 117,022	$ 109,945

On Behalf of the Board

Chairman

Secretary

MACPASS CROSSINGS BY QUARTER



TOTAL ANNUAL TRAFFIC VOLUMES

Cash Crossings Token Crossings *MACPASS* Crossings Total Crossings

Financial Statements

Auditors' Report

To the Chairman and Commissioners of the Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of the Halifax-Dartmouth Bridge Commission as at December 31, 2003 and 2002 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Levy Casey Carter MacLean
Chartered Accountants
Halifax, Nova Scotia
February 16, 2004

Current

Cash (note 1(e))	$ 14,289	$ 9,713
Receivables		
Trade	35	22
Accrued interest	40	25
Recoverable HST (note 2)	133	55
Prepaid expenses	231	197
Deferred financing costs and discounts, net of accumulated amortization of $4,281 (2002 - $3,439) (note 1(d))	**3,299**	4,141
Deferred transponder charges, net of accumulated amortization of $205 (2002 - $142) (note 9)	**452**	517
Capital Assets (note 3)	71,439	74,422
Restricted assets (note 4)		
Investment - OMA Fund	1,739	1,499
Investment - Debt Service Fund	2,974	2,975
Investment - Capital Fund	13,483	9,860
Investment - Sinking Fund	8,908	6,519

Current

Payables and accruals	$ 755	$ 431
Capital project holdbacks payable	258	267
Accrued interest payable	456	456
Refundable customer transponder amounts (note 9)	1,558	1,305
Deferred revenue (note 1(b) and 5)	2,745	2,669
Long-term debt (note 6)		
Reserve for restricted assets (note 4)	27,104	20,853
Deficit	(38,854)	(39,036)

On Behalf of the Board

Chairman

Secretary

Statements of Income and Deficit Year Ended December 31

REVENUE	2003 ($ 000's)	2002 ($ 000's)
Toll revenue (note 1(b))	$ 23,003	$ 22,983
[illegible]	[illegible]	[illegible]
Investment and sundry income		
OMA, Debt Service, Capital		
and Sinking Funds	1,141	844
[illegible]	[illegible]	[illegible]
	24,655	24,176

EXPENSES	2003 ($ 000's)	2002 ($ 000's)
Operating expenses	1,234	1,206
[illegible]	[illegible]	[illegible]
Administrative expenses	2,363	2,033
[illegible]	[illegible]	[illegible]
Amortization of deferred		
transponder charges	65	65
[illegible]	[illegible]	[illegible]
	18,221	17,480
Net income	6,434	6,696
Deficit, beginning of year	(39,036)	(39,904)
	(32,602)	(33,208)
Appropriation to restricted		
asset reserve	(6,252)	(5,828)
Deficit, end of year	$ (38,854)	$ (39,036)

Statements of Cash Flows Year Ended December 31

OPERATING ACTIVITIES	2003 ($ 000's)	2002 ($ 000's)
Net income	$ 6,434	$ 6,696
[illegible]	[illegible]	[illegible]
Amortization of deferred		
transponder charges	65	65
[illegible]	[illegible]	[illegible]
Loss (gain) on disposal of		
capital assets	74	(26)
	11,721	11,963
[illegible]	[illegible]	[illegible]
	12,225	12,319

INVESTING ACTIVITIES	2003 ($ 000's)	2002 ($ 000's)
Proceeds from disposal of		
capital assets	14	28
[illegible]	[illegible]	[illegible]
Investment in Sinking Fund		
investments	(2,389)	(2,288)
[illegible]	[illegible]	[illegible]
Decrease (increase) in Debt		
Service Fund investments	1	-
[illegible]	[illegible]	[illegible]
	(7,649)	(6,620)
Increase in cash during year	4,576	5,699
Cash, beginning of year	9,713	4,014
Cash, end of year	$ 14,289	$ 9,713

Notes To Financial Statements December 31, 2003

1. Significant Accounting Policies ($000's)

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of capital assets

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components and transponders, which are being depreciated using the straight line (s.l.) method at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Capital Assets

See end of Notes to Financial Statements.

4. Restricted Assets ($000's)

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from the revenues of the Commission after payment of current operating, maintenance, and administrative expenses. With the exception of the Capital Fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The Operating, Maintenance, and Administrative (OMA) Fund must be maintained at an amount at least equal to 25% of the annual budgeted OMA expenses for the year. This fund can only be used to pay OMA expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2003, the OMA fund had a market value of $1,739 and was invested in Government of Canada Treasury Bills maturing in June 2004 with a yield of 2.61%.

The Debt Service Fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds Series 1, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2003, the Debt Service Fund had a market value of $2,974 and was invested in cash and Government of Canada Treasury Bills maturing in June 2004 with a yield of 2.61%.

The Commission has been required to make quarterly contributions of $500 to the Sinking Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1. At December 31, 2003, the Sinking Fund had a market value of $9,158 and was invested in various federal and provincial bonds maturing in 2007 with yields of 4.32% to 6.68%.

The Commission has been required to make quarterly contributions of $750 to the Capital Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1, or for the maintenance of, or improvements to the bridges. At December 31, 2003, the Capital Fund had a market value of $13,882 and was invested in various federal, provincial and corporate bonds maturing in 2007 and 2012 with yields of 5.2% to 7.92%.

5. Deferred Revenue

DEFERRED REVENUE	2003 ($ 000's)	2002 ($ 000's)
Unredeemed Tokens (see below)	$ 1,551	$ 1,643
Electronic Toll Collection (ETC) Accounts (see below)	1,194	1,026
	$ 2,745	$ 2,669

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long-term Debt ($000's)

LONG-TERM DEBT	2003 ($ 000's)	2002 ($ 000's)
5.95% Toll Revenue Bonds Series 1 (see below)	$ 100,000	$ 100,000
90 day B.A. rate + 3/10 of 1% line of credit (see below)	23,000	23,000
	$ 123,000	$ 23,000

5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007 with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

90 day B.A. rate + 3/10 of 1% line of credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of $30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OMA expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into the OMA Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.

The estimated fair market value of the $100,000 fixed rate long-term debt, based on the quoted market price for the same issue at December 31, 2003 is $107,071.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next four years are as follows:

2004	$ 5,000
2005	$ 5,000
2006	$ 5,000
2007	$ 5,000

Toll revenue (note 1(b))	$ 23,003	$ 22,983
Other rate charges	135	135
Investment and sundry income		
OMA, Debt Service, Capital and Sinking Funds	1,141	844
Other	376	214

Operating expenses	1,234	1,206
Maintenance expenses	2,701	2,341
Administrative expenses	2,363	2,033
Amortization of capital assets	4,306	4,386
Amortization of deferred transponder charges	65	65
Interest on long-term debt and amortization of deferred financing costs (note 7)	7,552	7,449

Net income	6,434	6,696
Deficit, beginning of year	(39,036)	(39,904)
Appropriation to restricted asset reserve	(6,252)	(5,828)
Deficit, end of year		

Net income	$ 6,434	$ 6,696
Amortization of capital assets	4,306	4,386
Amortization of deferred transponder charges	65	65
Amortization of debt discount and refinancing costs	842	842
Loss (gain) on disposal of capital assets	74	(26)
Net change in non-cash operating balances (note 8)	504	356

Proceeds from disposal of capital assets	14	28
Investment in Capital Fund investments	(3,623)	(3,466)
Investment in Sinking Fund investments	(2,389)	(2,288)
Increase in OMA fund investments	(240)	(74)
Decrease (increase) in Debt Service Fund investments	1	-
Purchase of capital assets	(1,412)	(820)
Increase in cash during year	4,576	5,699
Cash, beginning of year	9,713	4,014
Cash, end of year		

1. Significant Accounting Policies ($000's)

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of capital assets

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components and transponders, which are being depreciated using the straight line (s.l.) method at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Capital Assets

See end of Notes to Financial Statements.

4. Restricted Assets ($000's)

Under the terms of a Trust indenture dated September 25, 1997 between the Commission and ATB Metton Trust Company governing the issue of Toll Revenue Bonds Series 1, as long as such Bonds are outstanding, the Commission must maintain four reserve funds which will be funded from the revenues of the Commission after payment of current operating, maintenance, and administrative expenses. With the exception of the Capital Cost Reserve Fund, all funds are held and invested by the Trustee on behalf of the Commission.

The Operating, Maintenance, and Administrative (OMA) Cost Fund is funded at an amount at least equal to 2/12 of the annual budgeted OMA expenses for the year. This fund is used to pay OMA expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's operating account. At December 31, 2003, the OMA fund had a market value of $3,230 and was invested in government of Canada Treasury Bills, maturing in one year, with a yield of 2.1%.

The Capital Cost Fund is maintained at a minimum of $1,000 upon receipt of annual requisitions received in respect of certain expenditures, but of which amount no less than $500 is required to be kept on hand at the end of the year. This fund can only be used to pay principal, interest, and sinking fund payments on the Toll Revenue Bonds Series 1, although any amount in the fund in excess of the required balance can be transferred to the Commission's operating account. At December 31, 2003, the Capital Fund had a market value of $3,230 and was invested in government of Canada Treasury Bills, maturing in one year, with a yield of 2.1%.

The Commission has been required to make quarterly contributions of $750 to the Capital Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1, or for the maintenance of, or improvements to the bridges. At December 31, 2003, the Capital Fund had a market value of $13,882 and was invested in various federal, provincial and corporate bonds maturing in 2007 and 2012 with yields of 5.2% to 7.92%.

5. Deferred Revenue

Unredeemed Tokens (see below)	$	1,551	$	1,643
Electronic Toll Collection (ETC) Accounts (see below)		1,194		1,026

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long-term Debt ($000's)

5.95% Toll Revenue Bonds Series 1 (see below)	$	100,000	$	100,000
90 day B.A. rate + 3/10 of 1% line of credit (see below)		23,000		23,000

5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007, with annual payments of consecutive payments. The Bonds are secured by an assignment of the revenues of the Commission, subject to the prior payment of operating, maintenance and administration expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 25, 1997, between the Commission and ATB Metton Trust Company (see note 4).

90 day B.A. rate + 3/10 of 1% line of credit, maturing the 1st February. The interest rate charged and amount are subject to change on the 1st Revenue Bonds Series 1. The facility is a committed revolving credit of $30,000, secured by a pledge, assignment by the Toll Revenue Bonds Series 1, under the Trust indenture (see note 4). Any portion of principal or interest which is not paid by the Commission on the date of default of payment of OMA expenses, provided or caused to be provided to the Commissioner, pursuant to the Trust Indenture, for the OMA Expense Fund, or amounts of principal and interest due under the Trust Indenture dated the Commission.

The estimated fair market value of the $100,000 bond was $104,000 at December 31, 2003. The estimated fair value of the committed overdraft facility is $23,000.

Subsequent payments to the Trustee for the Bonds and Capital Cost Fund are due on or before:

2004	$	5,000
2005		5,000
2006		5,000
2007		5,000
2008		5,000
Thereafter		75,000

7. Interest on long-term debt and amortization of deferred financing costs

Interest on long-term debt		
Toll Revenue Bonds	$ 5,950	$ 5,950
Line of credit	760	657
Amortization of deferred financing costs and discounts	842	842

8. Net change in non-cash operating balances

Increase (decrease) in cash from changes in:		
Receivables	$ (106)	$ 84
Prepaid expenses	(34)	(48)
Payables and accruals	315	(135)
Customer transponder amounts	253	298
Deferred revenue	76	157

9. Transponders ($000's)

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December of 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as capital assets (see note 3). In both cases, the transponders are being amortized on a straight-line basis to 2010.

10. Pension Plan ($000's)

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2003. The Commission recognized an expense of $65 for pension contributions during the year ($62 for 2002).

11. Retirement Benefits ($000's)

Generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees who retire at age 60 or later, or who become disabled at any age, will be paid a retirement benefit equal to one months salary for their first ten years of service, plus one months salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of $180 (2002 - $156) in retirement benefits as at December 31, 2003. The amount of $24 was charged to administrative and maintenance expenses for the year (2002 - $7) in this regard.

12. Incorporation

The Halifax-Dartmouth Bridge Commission is incorporated by Special Statute of the Province of Nova Scotia. The mandate of the Commission is to construct, maintain, and operate bridges and their necessary approaches across Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

13. Contingencies

The Commission has received correspondence that may lead to a claim against it for alleged damages caused to a property owner by modifications to a bridge. The eventual outcome of such action, if any is taken, is not determinable at this time.

14. Additional Credit Facility ($000's)

The Commission has a $5,000 operating loan facility with a chartered bank, which bears interest at prime rate minus .5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2003, no advances were outstanding.

3. Capital Assets (continued from page 15)

Land		$ 5,735	$ -	$ 5,735	$ 5,735
Buildings	40 years s.l.	2,106	1,407	699	769
Bridge and bridge components					
A.L. Macdonald Bridge	20 to 40 yrs s.l.	66,947	18,500	48,447	50,878
A.M. Mackay Bridge	15 to 40 yrs s.l.	23,791	10,706	13,085	13,993
Electronic toll transponders	10 yrs s.l.	1,346	316	1,030	690
Computer equipment	30% d.b.	635	442	193	158
Toll and other equipment	20% d.b.	6,085	4,088	1,997	1,918
Mobile equipment	30% d.b.	987	734	253	281

Notes To Financial Statements December 31, 2003

7. Interest on long-term debt and amortization of deferred financing costs

INTEREST	2003 ($ 000's)	2002 ($ 000's)
Interest on long-term debt		
Toll Revenue Bonds	$ 5,950	$ 5,950
Line of credit	760	657
[illegible]	[illegible]	[illegible]
	$ 7,552	$ 7,449

8. Net change in non-cash operating balances

NET CHANGE	2003 ($ 000's)	2002 ($ 000's)
Increase (decrease) in cash from changes in:		
[illegible]	[illegible]	[illegible]
Prepaid expenses	(34)	(48)
[illegible]	[illegible]	[illegible]
Customer transponder amounts	253	298
[illegible]	[illegible]	[illegible]
	$ 504	$ 356

9. Transponders ($000's)

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December of 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as capital assets (see note 3). In both cases, the transponders are being amortized on a straight-line basis to 2010.

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14. Additional Credit Facility ($000's)

The Commission has a $5,000 operating loan facility with a chartered bank, which bears interest at prime rate minus .5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2003, no advances were outstanding.

3. Capital Assets (continued from page 15)

CAPITAL ASSETS	Rates	2003 ($ 000's) Cost	Accumulated Amortization	Net Book Value	2002 ($ 000's) Net Book Value
Land		$ 5,735	$ -	$ 5,735	$ 5,735
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bridge and bridge components					
A.L. Macdonald Bridge	20 to 85 yrs s.l.	66,947	18,500	48,447	50,878
A.M. MacKay Bridge	15 to 80 yrs s.l.	23,791	10,706	13,085	13,993
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Computer equipment	30% d.b.	635	442	193	158
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mobile equipment	30% d.b.	987	734	253	281
		$ 107,632	$ 36,193	$ 71,439	$ 74,422

HDBC Board Members

Mr. Bruce S. Smith, Chairman
Ms. Linda Moreash, Secretary
Mr. Clint Schofield
Mr. David Covill
Mr. Larry Guptill
Councillor Brian Warshick
Councillor Harry McInroy
Councillor Len Goucher
Councillor Sheila Fougere

Halifax-Dartmouth
Bridge Commission

Annual Report 2003

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